

## REMARKS

### 35 U.S.C. 112, second paragraph

The Examiner rejected claims 1-14 and 17-19 are rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards, as the invention. The examiner contends that

Claims 1, 7 and 12 recite the limitations "electronic-based trading" and "product." Currently the claimed invention is not specific to securities trading and the trading of financial products (e.g., securities). Presently the claimed invention could be electronic trading, electronic auctions, e-shopping and similar electronic markets. Furthermore, the products traded could be any products or services.

Applicant disagrees. As described in the Applicant's specification: "This invention relates to trading systems particularly financial trading systems." Applicant claims "A computer implemented method of processing an order in an electronic-based trading system, the method comprises . . ." The examiner has not shown how or why this subject matter is indefinite. The examiner appears to use an indefiniteness rejection in an improper attempt to force Applicant to narrow the scope of the claim with out any prior art reference requiring such an narrowing.

Therefore, claims 1, 7, and 12 particularly point out and distinctly claim the subject matter which Applicant regard as his<sup>1</sup> invention.

The examiner also contends that

[c]laims 1, 2, 6, 7, 8, 11, 12, 13, 14 recite the limitation "qualified." The meaning intended by Applicant is unclear. For purposes of claim interpretation, qualify/qualified is interpreted as having met the requirements or eligible.

Applicant contends that the meaning qualified is clear and clearly "having met the requirements or eligible.", is an acceptable interpretation. Therefore, claims 1, 2, 6, 7, 8, 11, 12,

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<sup>1</sup> 35 U.S.C. 112, second paragraph refers to the person pronoun "his" not the indefinite article "the," as used by the examiner.

13, and 14 particularly point out and distinctly claim the subject matter of applicant considers to be his invention.

The examiner also contends that:

**[c]laims 1, 2, 6, 7, 8 ,11, 13, 14 recite the limitations "the best bid or best offer price" or "the best bid or best offer." There is insufficient antecedent basis for these limitations in the claims.**

and

**Claims 1, 2, 6, 7, 8, 11, 13, 14 recite the limitations "best bid or best offer price" or "best bid or best offer." The meaning intended by Applicant for the terms are unclear. For purposes of claim interpretation, best bid or best offer is interpreted as the most suitable, useful or desirable bid or offer.**

Applicant contends that sufficient antecedent basis exists in claims 1, 2, 6, 7, 8, 11, 12, 13, and 14 for the phrase: "best bid or best offer price" because at any point in time this is but one "best bid or best offer price" as that term is known to one skilled in the art.

While the examiner may be suggesting that Applicant change "the" to "a" to introduce the feature of "a best bid/offer", Applicant contends that such a change would be confusing since in general there would be but one "best" bid or one "best" offer that would be constantly changing. One of skill in this art would understand the phrase the best bid / best offer. Because there is but one, (depending on how that is defined in the trading system, e.g. a national best bid/best offer or a trading system best bid best offer) to instead recite "a best bid or a best offer" would infer that there were more than one, which in general would be confusing.

The examiner also contends that

**Claims 1, 2, 3, 6, 7, 8, 11, 12, 13, 14 recite the limitation "priority." The meaning intended by Applicant for the term is unclear. For purposes of claim interpretation, priority/prioritize is interpreted as- to arrange or deal with in order of importance.**

The meaning of priority is clear from the specification and is directed to how the system ranks orders for execution, e.g., based on, e.g., price, time and size. In some implementations there are several potential priorities and the order determines the priority upon which it interacts in the system.

As described in the Applicant's specification:

Referring to FIG. 1B, an entry screen 17 for non-directed order entry is shown. The screen 17 allows a participant to enter non-directed orders and would generally include fields 17a-17e for entering information including price, amount, and also three type fields. The type fields 17c-17e determine how the order interacts in the execution/routing manager 26d against Quoting Market Participant's contra-side quotes/orders. The type fields choose a priority, e.g., price/time box 17c; or price/size/time box 17d; or price/time that accounts for ECN access fees box 17e.<sup>2</sup>

Therefore, claims 1, 2, 3, 6, 7, 8, 11, 12, 13, and 14 are proper under 35 U.S.C. 112, second paragraph.

The examiner further states that "**Claim 2 recites the limitation 'the customer order.' There is insufficient antecedent basis for this limitation in the claim.**" Applicant has amended claim 2 to correct the antecedent basis error.

The examiner questions:

**Claim 2 recites "matching-off the order without regard to a priority of other quotes in the system". Since claim 3 depends from claim 2, doesn't "without regard to priority" already encompass "without regard to time priority."?**

Claim 2 limits claim 1 and covers the situation when a market participant has not qualified the order for avoidance of an internalization execution. In that instance, "matching-off of the order occurs against the quote of the matching market participant without regard to a priority of other quotes in the electronic-based trading system.

The examiner further questions:

**Regarding the "best bid or best offer that is at the opposite side of the market" in claims 2 and 13, is that the same as the best bid or best offer price on the opposite side of the market since other grounds for giving other quotes "priority" (e.g., time) are not considered?**

Applicant responds that generally, for a given market of, e.g., securities such as stocks, there is a bid price that is the highest price that a market maker or specialist would buy a security

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<sup>2</sup> Id., Page 5, Line 23 – Page 6, Line 2.

and an offer price or the lowest that the market maker or specialist would sell the security. So, there indeed exists a best bid/best offer price. However, in a system, there may be many quotes, orders at the best bid and best offer prices, but generally only one of the quotes or orders will be the either oldest and of largest size or of largest size and oldest (depending on the priority scheme employed). A similar situation hold for offers.

The examiner further questions:

**Regarding the "best bid or best offer" in claim 8, is this best bid or best offer a function of price and time on the opposite side of the market since other grounds for giving other quotes "priority" are not considered?**

Applicant responds by referring the examiner to the explanation above.

The Examiner rejected claims 1, 7 and 12 are rejected under 35 U.S.C. § 112, second paragraph, as being incomplete for omitting essential elements or omitting essential steps, such omission amounting to a gap between the elements or the steps. The examiner contends that

**A best bid or best offer is achieved after performing a step of prioritizing or ranking based on some condition or conditions (e.g., price). This step is missing from the claimed invention.**

Claims 1, 7, and 12 recite "...internalization execution corresponds to execution of an order if the market participant identification associated the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system *regardless of the priority of that quote* in the system..." [Emphasis added] The emphasized phrase implies that a priority exists upon which to base the best bid or best offer, and the step of establishing a priority is not missing from claims 1, 7, and 12. It is not necessary to either an understanding of the invention or to distinguish over the prior art to place such as step in the claim.

The examiner further contends that "**Applicant is using conditional language but, has not accounted for what happens for all conditions.**" Claims 1, 7 and 12 recite: "...checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system...". Applicant

contends that claims 1, 7, and 12 are complete in that they do not need to present a consequence of an alternative state of a condition in order to clearly state the invention. That is, the novelty of Applicant's invention lies with what follows if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system. What happens if the market participant has not qualified the order for avoidance of an internalization execution for the order is not needed to distinguish Applicant's invention over the prior art.

The examiner questions:

**How the pool of bids or offers (i.e., serving as the basis for determining the best bid or best offer price) entered the system is unclear. Are they bids or offers obtained from other systems? Are they bids or offers entered in the claimed system. Is the pool national, system specific?**

Applicant responds that Applicant has not recited "pools." Accordingly, Applicant is unable to respond to this comment. The bids or offers may be either national or system specific.

The examiner further questions:

**How are the orders satisfied? Would the order be satisfied in the same way if the order is qualified and if the order is not qualified? If not, what is the difference? How are the orders matched? Would the order be matched in the same way if the order is qualified and if the order is not qualified? If not, what is the difference? What is the difference between "satisfying" in claim 1 and "matching" in claims 7 and 12.**

The meaning of "satisfying" an order in claim 1 is known in the art and is contained in the specification:

**The system 20 has a default, e.g., a strict price/time priority. If a market participant does not override the default or selects price/time 94, (FIG. 6A) a Non-Directed Order would be executed 96 first against all displayed quotes/order of market makers, ECNs, and non-attributable agency orders of UTP Exchanges, in time priority between such interest. If the order is not satisfied 98 at that level of priority the order will execute 100 against the reserve size of market makers and ECNs in time priority between such interest. If the order still is not satisfied 102, (FIG. 6B) the**

order will execute 104 against principal quotes of UTP Exchanges, in time priority between such interest.<sup>3</sup>

The meaning of "matching off" and order in claims 7 and 12 is known in the art and is contained in the specification:

...if MMA {Market Maker} sends system 20 all of its quotes/orders and is at the best bid of \$20 showing 4,000 shares (attributable and non-attributable), and the MMA sends OCF [Order Collector Facility] 25 a 1,000 share market sell order from one its customers, OCP [Order Collector Process] 25 will examine 67a the identification of the order and if it matches the identification of the market participant who is at the best bid or offer for that security, the OCP 25 will execute 67b the order against the participant's own quote, thus matching off the order on behalf of the participant."<sup>4</sup>

Claims 1, 7 and 12 are not incomplete, neither omitting essential elements nor omitting essential steps. Applicant therefore requests that the rejection of claims 1, 7, and 12 be withdrawn.

The examiner rejected claims 2-6, 8-11, 13, and 14 under 35 U.S.C. § 112, second paragraph on the same rationale as the claims from which they depend. For the same reasons as explained above, Applicant requests that the rejection of claims 2-6, 8-11, 13, and 14 be withdrawn.

#### Obviousness-Type Double Patenting

The Examiner rejected claims 1-14 and 17-18 are provisionally rejected on the ground of non-statutory obviousness-type double patenting as being unpatentable over claims 1,3-14 and 16-20 of co-pending Application No. 09/404,518.

The examiner contends that

[c]laims 1-14 and 17-18 are provisionally rejected on the ground of nonstatutory obviousness-type double patenting as being unpatentable over claims 1,3-14 and 16-20 of copending Application No. 09/404,518. Although the conflicting claims are not identical, they are not patentably distinct from each other because both applications are drawn to:

<sup>3</sup> *Id.*, Page 13, Lines 14-25.

<sup>4</sup> *Id.*, Page 11, Line 27 – Page 12, Line 5.

**Executing an order in a market system comprising:  
receiving an order from a market participant; and matching-off off the  
order against the best bid or best offer that is at the opposite side of the  
market.**

Applicant contends that the claims in copending Application No. 09/404,518 do not recite “...checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, where internalization execution corresponds to execution of an order if the market participant identification associated the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system *regardless of the priority of that quote in the system...*” [Emphasis added], as required by claims 1-14, 17, and 18. Rather, claim 1 of copending Application No. 09/404,518 recites: “...checking if a market participant identification associated with the order from the customer matches a market participant identification representing a quote in the system which is at a best bid or best offer price in the system; and if the market participant identification matches the market participant identification representing a best bid or offer quote in the system...”. Accordingly this rejection is improper and should be removed.

**35 U.S.C. 102**

The Examiner rejected claims 1-3, 6-8, 11-14 and 17-19 are rejected under 35 U.S.C. 102(b) as being anticipated by "Market Fragmentation," by Hans R. Stoll. Financial Markets Research Center Policy Paper No 00-11. Vanderbilt University. April 28, 2000. Current Version: September 5, 2000. (Hereinafter, Stoll).

The examiner contends that:

**[r]e Claims 1-6 and 17: Stoll discloses a computer implemented method of processing an order in a electronic-based trading system, the method comprising: receiving an order to buy or sell a product, the order having a market participant identification for the order (Stoll, pgs. 1-13, particularly pgs. 4-11); checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, where internalization execution corresponds to execution of an order if the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the**

**best bid or best offer price in the system regardless of the priority of that quote in the system (Stoll, pgs. 1-13, particularly pgs. 4-11); and satisfying the order according to whether or not the market participant has qualified the order for avoidance of internalization execution (Stoll, pgs. 1-13, particularly pgs. 4-11).**

**Re Claims 7-11 and 18: Stoll discloses a networked computer system for providing an electronic-based market system comprises: one or more networked computers to receive orders and match orders against quotes posted in the system on a time priority basis (Stoll, pgs. 1-13, particularly pgs. 4-11); checks if a market participant identification associated with a received order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system (Stoll, pgs. 1-13, particularly pgs. 4-11); and checks if the market participant has qualified the order for avoidance of the internalization execution for the order in the market system where internalization execution corresponds to execution of an order where the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Stoll, pgs. 1-13, particularly pgs. 4-11); and match the order with quotes in the system according to whether the order is qualified for avoidance of the internalization execution (Stoll, pgs. 1-13, particularly pgs. 4-11).**

**Re Claims 12-14 and 19: Stoll discloses a computer program product residing on a computer readable medium for operating an electronic based trading system comprises instructions for causing a computer to: receive a customer order from a market participant's customer; and for the order (Stoll, pgs. 1-13, particularly pgs. 4-11), check if a market participant has qualified the order for avoidance of an internalization execution in the electronic based trading system where internalization execution corresponds to execution of an order if the market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Stoll, pgs. 1-13, particularly pgs. 4-11); match the order according to whether or not the market participant has qualified the order for avoidance of internalization execution (Stoll, pgs. 1-13, particularly pgs. 4-11).**

Applicants disagree. Stoll neither describes nor suggests at least "...checking [an] order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, where internalization execution corresponds to execution of an order if the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system...".

Rather, Stoll states:

**Brokers that internalize or preference order flow achieve best price by agreeing to send the order to a market maker that promises to match the best price when the order is presented. In other words, a market maker may never post the best price and yet receive designated order flow.**

**Excessive preferring or internalization can harm markets. If all order flow were preferred or internalized, no market maker would have an incentive to narrow the spread to attract orders because a better price would simply be matched by other market makers and would fail to attract additional orders.<sup>5</sup>**

While Stoll describes the concept of internalization, and possible consequences for markets, Stoll neither describes nor suggest "... to determine if a market participant has qualified the order for avoidance of an internalization execution ...," as required by claims 1-3, 6-8, 11-14 and 17-19. Accordingly, Applicant requests that the rejection be withdrawn.

The Examiner rejected claims 1-14 and 17-19 are rejected under 35 U.S.C. 102(e) as being anticipated by Serkin, US Pub. No. 2002/0161687. The examiner contends that

**Re Claims 1-6 and 17: Serkin discloses a computer implemented method of processing an order in a electronic-based trading system, the method comprising: receiving an order to buy or sell a product, the order having a market participant identification for the order (Serkin, Figs. 1-9; abstract; [0001] - [0090]); checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, where internalization execution corresponds to execution of an order if the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Serkin, Figs. 1-9; abstract; [0001] - [0090]); and satisfying the order according to whether or not the market participant has qualified the order for avoidance of internalization execution (Serkin, Figs. 1-9; abstract; [0001] - [0090]).**

**Re Claims 7-11 and 18: Serkin discloses a networked computer system for providing an electronic-based market system comprises: one or more networked computers to receive orders and match orders against quotes posted in the system on a time priority basis (Serkin, Figs. 1-9; abstract; [0001] - [0090]); checks if a market participant identification associated with a received order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system (Serkin, Figs. 1-9; abstract; [0001] - [0090]);**

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<sup>5</sup> Stoll, Page 6, Lines 2-10.

**and checks if the market participant has qualified the order for avoidance of the internalization execution for the order in the market system where internalization execution corresponds to execution of an order where the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Serkin, Figs. 1-9; abstract; [0001]-[0090]); and match the order with quotes in the system according to whether the order is qualified for avoidance of the internalization execution (Serkin, Figs. 1-9; abstract; [0001] - [0090]).**

Re Claims 12-14 and 19: Serkin discloses a computer program product residing on a computer readable medium for operating an electronic based trading system comprises instructions for causing a computer to: receive a customer order from a market participant's customer; and for the order (Serkin, Figs. 1-9; abstract; [0001] - [0090]), check if a market participant has qualified the order for avoidance of an internalization execution in the electronic based trading system where internalization execution corresponds to execution of an order if the market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Serkin, Figs. 1-9; abstract; [0001] - [0090]); match the order according to whether or not the market participant has qualified the order for avoidance of internalization execution (Serkin, Figs. 1-9; abstract; [0001]-[0090]).

Applicants disagree. Applicant contends that the specification in Serkin neither describes nor suggests “...checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system,... ,” as required by claims 1-14 and 17-19. The examiner argues with regard to this feature that: “**checking the order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, where internalization execution corresponds to execution of an order if the market participant identification associated with the order matches a market participant identification representing a quote in the system that is at the best bid or best offer price in the system regardless of the priority of that quote in the system (Serkin, Figs. 1-9; abstract; [0001] - [0090]).**” Accordingly, Applicant requests that the rejection be withdrawn.

Applicant contends that this is neither described nor suggested by the reference. Indeed, Applicant contends that if this feature did exist in Serkin, the examiner would have been able to specifically point it out in one paragraph or less, rather than reference the entire document.

The Examiner rejected claims 4, 5, 9 and 10 are rejected under 35 U.S.C. 103(a) as being unpatentable over Stoll as applied to claim above, and further in view of US Pat. No. 6,618,707 ("Gary"). The examiner contends that

**Re Claims 4 and 9: Stoll discloses the claimed invention *supra* but fails to explicitly disclose calling a cancel request to cancel a quote at the side of the market in which a matched off order will be executed. Gary discloses calling a cancel request to cancel a quote at the side of the market in which a matched off order will be executed (Gary, col. 10, lines 40-58). It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Stoll by adopting the teachings of Gary to provide calling a cancel request to cancel a quote at the side of the market in which a matched off order will be executed. One would have been motivated to have some control over the price at which the trade can be executed.**

**Re Claims 5 and 10: Stoll discloses the claimed invention *supra* but fails to explicitly disclose calling a cancel request prior to matching off the order to cancel a quote at the side of the market at which an matched off order will be executed. Gary discloses calling a cancel request prior to matching off the order to cancel a quote at the side of the market at which an matched off order will be executed (Gary, col. 10, lines 40-58). It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Stoll by adopting the teachings of Gary to provide calling a cancel request prior to matching off the order to cancel a quote at the side of the market at which an matched off order will be executed. One would have been motivated to have some control over the price at which the trade can be executed.**

The base claims are patentable over Stoll as was argued above and Gary fails to cure the deficiencies of Stoll. That is, Gary neither describes nor suggests at least "...checking [an] order in a computer to determine if a market participant has qualified the order for avoidance of an internalization execution for the order in the electronic-based trading system, ...".

In addition claim 4 directed to "... calling a cancel request to cancel a quote at the side of the market in which a matched off order will be executed." and claim 5 "... calling a cancel request prior to matching off the order to cancel a quote at the side of the market at which an matched off order will be executed." are neither described nor suggested by Gary.

Rather, Gary states:

**According to one embodiment of the invention, there are three instances where an incoming limit order that cannot trade is not stored in the book memory 33. First, a limit order may contain special instructions that it**

**should not be stored in the book memory 33. For example, if a limit order is designated as a fill-or-kill order, the order process 25 will delete the incoming order unless the entire size of the order can be traded against the orders and quotations in the book memory 33. Second, if a limit order is designated as an immediate-or-cancel order, the order process 25 will delete any portion of the incoming order that cannot trade against the orders and quotations in the book memory 33. Finally, according to this embodiment, a professional limit order that cannot trade at a price that is within two trading increments below the best bid or above the best offer is deleted by the order process 25, that is, no portion of the professional limit order is traded.<sup>6</sup>**

Gary does not describe "a cancel request to cancel a quote at the side of the market in which a matched off order will be executed." Gary, while clearly mentioning deleting an order does not call a cancel request to delete the order in the context of a match off. Rather, Gary has limit orders with conditions such as fill or kill and the process automatically deletes the order if the conditions are not fulfilled.

Applicants request that this rejection of claims 4, 5, 9 and 10 be withdrawn.

It is believed that all the rejections and/or objections raised by the examiner have been addressed.

In view of the foregoing remarks, applicant respectfully submits that the application is in condition for allowance and such action is respectfully requested at the examiner's earliest convenience.

All of the dependent claims are patentable for at least the reasons for which the claims on which they depend are patentable.

Canceled claims, if any, have been canceled without prejudice or disclaimer.

Any circumstance in which the applicant has (a) addressed certain comments of the examiner does not mean that the applicant concedes other comments of the examiner, (b) made arguments for the patentability of some claims does not mean that there are not other good reasons for patentability of those claims and other claims, or (c) amended or canceled a claim does not mean that the applicant concedes any of the examiner's positions with respect to that claim or other claims.

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<sup>6</sup> Gary, Column 10, Lines 40-58.

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Please apply any other charges or credits to deposit account 06-1050, referencing attorney docket no. 09857-086001.

Respectfully submitted,

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